DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 2, 2007
BILL NUMBER: SB 428
POSITION: Neutral
AUTHOR: R. Dutton
SPONSOR: TAMCO Steele

BILL SUMMARY: Electrical Corporations: Demand Reduction

This bill would require electrical corporations to offer their customers optional cost-effective interruptible service programs and air-conditioning cycling programs, using pricing incentives to promote customer participation in these programs until January 1, 2015.

FISCAL SUMMARY

This bill would have minimal fiscal impact on the state. To the extent state agencies are able to participate in these programs, the state may enjoy energy cost savings from reduced rates. However the potential savings may be offset by loss of productivity when electricity service is interrupted or curtailed.

The California Constitution requires the state to reimburse local government for the costs of any program or increased level of service mandated by the Legislature or any state agency. Any local government costs resulting from the mandate in this measure would not be state-reimbursable because the mandate only involves the definition of a crime.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the May 1, 2007 version are minor and do not alter our position.

COMMENTS

Finance is neutral on this bill because it would have minimal fiscal impact on the state.

Demand reduction programs can be effective during peak demand periods, typically in the summer, when obtaining adequate supplies of electricity becomes very expensive and may also require use of older and dirtier power plants. Under the provisions of the Public Utilities Act, the California Public Utilities Commission (PUC) has required electrical corporations to provide their customers optional demand reduction programs that allow for interruption of power in exchange for reduced rates. However, the act only required the PUC to continue availability of these programs until March 31, 2002. This bill would extend the effective date of the provision to January 1, 2015, repeal it as of that date unless extended by a subsequent statute, and amend the Public Utilities Code to require electrical companies to offer optional demand reduction programs.

The costs of the reduced rates would be paid by the savings generated by the program from the reduced use of more expensive power resources during high peak demand periods. The bill does not shift the price incentive costs to the consumers not participating in the program.

(Continued)

Analyst/Principal	Date	Program Budget Manager	Date
(0635) T. Tatosian		Karen Finn	

Department Deputy Director	Date

Governor's Office:	By:	Date:	Position Approved_______ Position Disapproved

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COMMENTS (continued)

To the extent that individual state agencies can participate in these programs, the state might realize potential cost savings through reduced energy rates. However these savings may be offset by the costs in loss of productivity due to the state's reduced functionality as a result of interrupted power service.

Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Fund Code
		(Fiscal Impact by Fiscal Year) (Dollars in Thousands)							
9901/Var Depts	SO	No		------------------- No/Minor Fiscal Impact -------------------					0001